

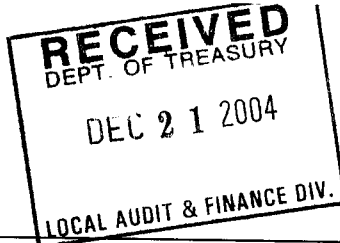
MANCHESTER TOWNSHIP  
Washtenaw County, Michigan

AUDITED FINANCIAL REPORT

For Fiscal Year Ended June 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Manchester Township</b>	County <b>Washtenaw</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>10/4/04</b>	Date Accountant Report Submitted to State: <b>12/21/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Post, Smythe, Lutz and Ziel, LLP</b>			
Street Address <b>1034 West Ann Arbor Trail</b>		City <b>Plymouth</b>	State <b>MI</b>
Accountant Signature <i>David R. Wellman CPA</i>		ZIP <b>48170</b>	Date <b>12.21.04</b>

MANCHESTER TOWNSHIP  
For the Year Ended June 30, 2004

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FINANCIAL SECTION

# POST, SMYTHE, LUTZ AND ZIEL LLP

*Certified Public Accountants*

## PLYMOUTH

Dennis M. Siegner, C.P.A., C.V.A.  
David R. Williamson, C.P.A.  
Jane F. Wang, C.P.A.  
Joseph N. Elder, C.P.A.

1034 W. ANN ARBOR TRAIL  
PLYMOUTH, MICHIGAN 48170-1502

TELEPHONE: (734) 453-8770  
FAX: (734) 453-0312

## WAYNE

Frank W. Smythe, C.P.A.  
Ronald H. Traskos, C.P.A.  
Kathy Billings, C.P.A.

Marty C. Morrison, C.P.A.  
Rana M. Emmons, C.P.A.  
Jennifer A. Galofaro, C.P.A., C.V.A.  
Susan H. Bertram, C.P.A.

Sharon Walz Duckworth, C.P.A.  
Cari A. Ford, C.P.A.  
Wendy Leung Lee, C.P.A., C.V.A.  
Therese Mulholland, C.P.A.

## Independent Auditor's Report

October 4, 2004

To the Board of Trustees  
Manchester Township  
Manchester, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Township, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manchester Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Township as of June 30, 2004, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

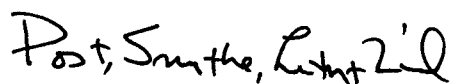
To The Board of Trustees  
Manchester Township

The Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manchester Township's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

# TOWNSHIP OF MANCHESTER

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275 SOUTH MACOMB STREET  
Post Office Box 668  
MANCHESTER, MICHIGAN 48158  
PHONE: 734-428-7090  
e-mail: <http://twp-manchester.org>

## Management's Discussion and Analysis

As management of Manchester Township, we offer readers of Manchester Township's financial statements this narrative overview and analysis of the financial activities of Manchester Township for the fiscal year ended June 30, 2004, within the limitations of the cash basis of accounting.

### Financial Highlights

- The assets of Manchester Township exceeded its liabilities at the close of the most recent fiscal year by \$914,012, on the cash basis of accounting (*net assets*). All of this is available to be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's General Fund ended the year with \$578,591, of which approximately \$175,000 was from the sale of facilities in the prior fiscal year, which the board intends on transferring to a Public Improvement Fund.
- Revenues for governmental funds exceeded expenditures, on a cash basis, by \$69,505.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Manchester Township's basic financial statements. Manchester Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Manchester Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Manchester Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Manchester Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year, on the cash basis of accounting.

The government-wide financial statements can be found on pages 7-8 of this report.

**Basis of Accounting.** The Township has elected to present its financial statements on the cash receipts and disbursements method of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Township's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets, and their related revenues, (such as fixed assets, and accounts receivable), and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussions within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Manchester Township, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Manchester Township are divided into two categories: governmental and fiduciary.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Manchester Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Road Improvements and Maintenance Funds, which are considered to be "Major" Funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the major funds (General and Road Improvement and Maintenance funds) to demonstrate compliance with the annual appropriated budgets.



**Proprietary funds.** Manchester Township maintains no proprietary funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Manchester Township's own programs.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-21.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for non major funds, immediately following the required supplementary information on pages 24-25 of the report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Manchester Township, assets exceeded liabilities by \$914,012, on a cash basis, at the close of the most recent fiscal year. Since the financial statements are prepared on the cash receipts and disbursements method, the "net assets" consist of unrestricted assets (cash).

The government's net assets increased by \$69,505 during the current fiscal year. This increase represents the degree that receipts from revenues exceed cash disbursements and the fact that no significant capital expenditures were made.

### **Financial Analysis of the Government's Funds**

As noted earlier, Manchester Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Manchester Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Manchester Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current year, unreserved fund balance (on a cash basis) was \$553,683, and total fund balance was \$578,591. The Township's general fund increased by \$41,820. The increase was the result of recurring receipts of revenues exceeding operating cash disbursements; no significant capital expenditures were made.

The Road Improvements and Maintenance Fund had a total fund balance of \$170,348; the Township intends on using the surplus for larger future road improvements.

## **General Fund Budgetary Highlights**

There were no differences between beginning and final budgets during the year.

### **Capital Asset and Debt Administration**

As mentioned previously, the Township has elected to present its financial statements on the cash receipts and disbursements method of accounting, which is a basis of accounting other than generally accepted accounting principles. Accordingly, capital assets are not presented. The Township has a single long term debt obligation which had the following activity:

Balance beginning of the year	\$200,120
Principal Payment	<u>47,834</u>
Balance end of year	<u>\$152,286</u>

### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2004-2005 fiscal year. Manchester Township budgeted for a decrease in state shared revenue. Manchester Township's millage rate was reduced again by the Headlee Amendment rollback for operating purposes. These factors were considered in preparing Manchester Township's budget for the 2004-2005 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of Manchester Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, Manchester Township.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF MANCHESTER**  
**Statement of Net Assets - Cash Basis**  
**June 30, 2004**

	<b><u>Governmental Activities</u></b>
ASSETS	
Cash and Cash Equivalents	\$ <u>914,012</u>
NET ASSETS	
Restricted for:	
Fire Department	\$ 165,073
Recycling	24,908
Road Improvements	170,348
Unrestricted	<u>553,683</u>
Total Net Assets	\$ <u>914,012</u>

**TOWNSHIP OF MANCHESTER**  
**Statement of Activities - Cash Basis**  
**For the Year Ended June 30, 2004**

<b><u>Functions/Programs</u></b>	<b><u>Program Cash Receipts</u></b>			<b><u>Net (Disbursement) Receipts and Changes in Net Assets</u></b>
	<b><u>Cash Disbursements</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 215,254	\$ 70,731	\$ -	\$ (144,523)
Public Safety	189,930	5,320	116,370	(68,240)
Public Works	58,195	2,178	20,105	(35,912)
Community Development	43,701	-	-	(43,701)
Capital Outlay	1,440	-	-	(1,440)
Debt Service-Principal	47,834	-	-	(47,834)
Debt Service-Interest	6,004	-	-	(6,004)
Net program (disbursements) receipts	<u>562,358</u>	<u>78,229</u>	<u>136,475</u>	<u>(347,654)</u>
 Total Primary Government	 \$ <u>562,358</u>	 \$ <u>78,229</u>	 \$ <u>136,475</u>	 <u>(347,654)</u>

General Receipts:	
Property Taxes	277,352
State Shared Revenue	131,482
Unrestricted Investment	
Earnings	<u>8,325</u>
Total General Receipts	<u>417,159</u>
 Change in Net Assets	 69,505
Net Assets - Beginning	<u>844,507</u>
 Net Assets - Ending	 \$ <u>914,012</u>

**TOWNSHIP OF MANCHESTER**  
**Balance Sheet - Cash Basis**  
**Governmental Funds**  
**June 30, 2004**

	<u>General</u>	<u>Road Improvements And Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 583,866	\$ 167,258	\$ 162,888	\$ 914,012
Due from Other Funds	-	3,090	2,185	5,275
Total Assets	<u>\$ 583,866</u>	<u>\$ 170,348</u>	<u>\$ 165,073</u>	<u>\$ 919,287</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>Liabilities:</b>				
Due to Other Funds	\$ 5,275	\$ -	\$ -	\$ 5,275
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
Recycling	24,908	-	-	24,908
Road Improvements	-	170,348	-	170,348
Fire Equipment	-	-	149,600	149,600
Fire Building Improvements	-	-	15,473	15,473
<b>Unreserved, reported in:</b>				
General Fund	553,683	-	-	553,683
Total Fund Balance	<u>578,591</u>	<u>170,348</u>	<u>165,073</u>	<u>914,012</u>
Total Liabilities and Fund Balance	<u>\$ 583,866</u>	<u>\$ 170,348</u>	<u>\$ 165,073</u>	<u>\$ 919,287</u>

**TOWNSHIP OF MANCHESTER**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Cash Basis**  
**Governmental Funds**  
**For the Year Ended June 30, 2004**

	<u>General</u>	<u>Road Improvements And Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$ 188,228	\$ 52,210	\$ 36,914	\$ 277,352
Administration Fee	53,875	-	-	53,875
Special Assessments	2,178	-	-	2,178
Intergovernmental-State	131,482	3,829	-	135,311
Intergovernmental-County	16,276	-	-	16,276
Intergovernmental-Municipal/Fire	116,370	-	-	116,370
Licenses and Permits	5,320	-	-	5,320
Charges for Services	9,115	-	-	9,115
Interest	5,228	1,668	1,429	8,325
Other	6,243	-	1,498	7,741
Total Revenues	<u>534,315</u>	<u>57,707</u>	<u>39,841</u>	<u>631,863</u>
Expenditures:				
General Government	215,254	-	-	215,254
Public Safety	177,742	-	12,188	189,930
Public Works	14,852	43,343	-	58,195
Community Development	43,701	-	-	43,701
Capital Outlay	-	-	1,440	1,440
Debt Service-Principal	-	-	47,834	47,834
Debt Service-Interest	-	-	6,004	6,004
Total Expenditures	<u>451,549</u>	<u>43,343</u>	<u>67,466</u>	<u>562,358</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>82,766</u>	<u>14,364</u>	<u>(27,625)</u>	<u>69,505</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	69,255	69,255
Operating Transfers Out	(40,946)	-	(28,309)	(69,255)
Total Other Financing Sources (Uses)	<u>(40,946)</u>	<u>-</u>	<u>40,946</u>	<u>-</u>
Net Change in Fund Balance	41,820	14,364	13,321	69,505
Fund Balance, July 1-Restated	<u>536,771</u>	<u>155,984</u>	<u>151,752</u>	<u>844,507</u>
Fund Balance, June 30	<u>\$ 578,591</u>	<u>\$ 170,348</u>	<u>\$ 165,073</u>	<u>\$ 914,012</u>

**TOWNSHIP OF MANCHESTER**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ 1,706
<b><u>LIABILITIES</u></b>	
Due to Other	<u>1,706</u>
<b><u>NET ASSETS</u></b>	\$ <u><u>-</u></u>



TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manchester Township is an unincorporated local unit of government (general law township) governed by the elected Board of Trustees. The Township provides the following services provided by law: General Government, Public Safety (Fire Protection) Planning and Zoning activities.

As discussed further in Note 1C, these financial statements are presented on the cash receipts and disbursements basis of accounting, which differs from accounting principles generally acceptable in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of Manchester Township contain all of the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependant on the Township. Based on the foregoing criteria, no other organizations are included or excluded from the Township's Annual Report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements – Continued

Separate financial statements are provided for the governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and fiduciary activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the received and disbursement method. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and capital assets) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Improvements and Maintenance Fund is a special revenue fund used to account for the repair, maintenance, and construction activities for roads located within the Township, financed by a voter approved tax levy.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

The Township has no proprietary funds.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee Township or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Township are recorded at fair value.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

3. Capital Assets

As discussed in note I C., the Township presents both the governmental wide, and fund financial statements on the cash receipt and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because of this presentation, capital assets are treated as expenditures of a governmental fund when paid. They are not included as assets on the Statement of Net Assets, as it would have been presented in statements prepared in accordance with generally accepted accounting principles.

4. Long-term Obligations

As discussed in note I C., the Township presents both the governmental wide, and fund financial statements on the cash receipt and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because of this presentation, long-term debt is not recognized as a liability of a governmental fund until it is paid. The remaining portion of such obligations is not reported in the Statement of Net Assets, as it would have been presented in statements prepared in accordance with generally accepted accounting principles.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A public hearing and adoption of the budget is required prior to commencement of the fiscal year.
3. On or before June 30, the tax rate is set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on the cash receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level.
5. Budget appropriations lapse at year end.
6. The Township Board may authorize supplemental appropriations (budget amendments) during the year. In 2004 several budget amendments were made.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Township has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Transfer out Fire Eq. Fund	\$32,000	\$35,446	\$3,446

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits are separately displayed on the balance sheets as "Cash and Cash Equivalents".

The carrying amount of the Township's deposits with financial institutions at June 30, 2004 was \$915,718 and the bank balance was \$975,985 categorized as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 264,147
Uninsured and Uncollateralized	711,838
Total	<u>\$ 975,985</u>

A reconciliation of cash for the Township follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$ 914,012
Fiduciary Statement of Net Assets	<u>1,706</u>
Total	<u>\$ 915,718</u>

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

III. DETAILED NOTES ON ALL FUNDS - Continued

B. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2004, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Improvement	General Fund	\$ 3,090
Fire Equipment Millage	General Fund	<u>2,185</u>
		<u>\$ 5,275</u>

2. Interfund Transfers

	<u>Transfers In</u>		
	<u>Fire</u>	<u>Special</u>	
Transfers Out:	<u>Equipment</u>	<u>Housing</u>	<u>Total</u>
General Fund	\$35,446	\$ 5,500	\$40,946
Fire Eq. Millage Fund	<u>28,309</u>	<u>-</u>	<u>28,309</u>
Total	<u>\$63,755</u>	<u>\$ 5,500</u>	<u>\$69,255</u>

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended June 30, 2004:

	<u>Balance</u>	<u>Add:</u>	<u>Less:</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1,</u>	<u>Additional</u>	<u>Retirements</u>	<u>June 30,</u>	<u>Within</u>
	<u>2003</u>	<u>Debt</u>	<u>and Payments</u>	<u>2004</u>	<u>One Year</u>
		<u>Incurred</u>	<u>on Debt</u>		
Governmental Activities:					
Notes Payable	<u>\$200,120</u>	<u>\$ -</u>	<u>\$47,834</u>	<u>\$152,286</u>	<u>\$53,837</u>

The following is a summary of general obligation debt outstanding of the Township as of June 30, 2004:

	<u>Number of</u>	<u>Interest</u>	<u>Maturing</u>	<u>Principal</u>
	<u>Issues</u>	<u>Rate</u>	<u>Through</u>	<u>Outstanding</u>
Governmental Activities:				
Notes Payable	1	3.0%	2007	<u>\$152,286</u>

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

III. DETAILED NOTES ON ALL FUNDS - Continued

C. Long-Term Debt - Continued

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2004 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 49,269	\$ 4,568
2006	50,747	3,091
2007	<u>52,270</u>	<u>1,568</u>
	<u>\$152,286</u>	<u>\$ 9,227</u>

D. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2004, is presented below:

	<u>General Operating</u>	<u>Special Revenue</u>	<u>Totals</u>
Fund Balance:			
Reserved for:			
Recycling	\$ 24,908	\$ -	\$ 24,908
Fire Equipment	-	149,600	149,600
Fire Building Improvements	-	15,473	15,473
Road Improvements and Maintenance	-	<u>170,348</u>	<u>170,348</u>
Total Reserved	<u>24,908</u>	<u>335,421</u>	<u>360,329</u>
Unreserved:			
Designated for:			
Subsequent Year's Expenditures	40,000	-	40,000
Undesignated	<u>513,683</u>	-	<u>513,683</u>
Total Unreserved	<u>553,683</u>	-	<u>553,683</u>
Total Fund Equity	<u>\$578,591</u>	<u>\$335,421</u>	<u>\$914,012</u>

E. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund.



TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

III. DETAILED NOTES ON ALL FUNDS - Continued

E. Property Taxes - Continued

The Township is permitted by State law to levy taxes up to \$1.16 per \$1,000 of equalized valuation for general government services.

The following is a summary of the tax rates levied on the 2003 tax roll and the source of authorization:

<u>Purpose</u>	<u>Authorization</u>	<u>Per \$1,000 of State Equalized Value</u>		<u>Rate Levied</u>	<u>Tax Margin</u>
		<u>Authorized Rate (Pre Rollback)*</u>	<u>Authorized Rate (Post rollback)*</u>		
Operating	Charter	1.1600	.9111	.9111	-
Road	Extra Voted	.3500	.3199	.3199	-
Fire Equipment	Extra Voted	.2476	.2262	.2262	-
Operating	Extra Voted	.2500	.2364	.2364	-

\*Rollback refers to required reduction in millage rates to comply with provisions of state law (211.34d).

IV. OTHER INFORMATION

A. Risk Management

Manchester Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

TOWNSHIP OF MANCHESTER  
Notes to Financial Statements  
June 30, 2004

IV. OTHER INFORMATION - Continued

B. Prior Period Adjustments

The Township's financial statements as of June 30, 2003, contained the following error:

The Township's reported results on the cash receipts and disbursements method of accounting should not have reflected assets, such as amounts due from external, and internal tax settlement, and the balance sheet should not have reflected as "prepaid" the insurance premiums paid in advance of the premium period.

	<u>General Fund</u>
Fund Balance	
Earnings:	
Balance at July 1, 2003, As Previously Reported	\$563,192
 Prior Period Adjustment	<u>(26,421)</u>
Restated Balance at July 1, 2003	<u>\$536,771</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF MANCHESTER**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Cash Basis**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 189,577	\$ 189,577	\$ 188,228	\$ (1,349)
Administration Fee	49,000	49,000	53,875	4,875
Special Assessments	2,500	2,500	2,178	(322)
Intergovernmental-State	130,000	130,000	131,482	1,482
Intergovernmental-County	100	100	16,276	16,176
Intergovernmental-Municipal/Fire	117,400	117,400	116,370	(1,030)
Licenses and Permits	3,500	3,500	5,320	1,820
Charges for Services	3,000	3,000	9,115	6,115
Interest	1,200	1,200	5,228	4,028
Other	9,786	9,786	6,243	(3,543)
Total Revenues	<u>506,063</u>	<u>506,063</u>	<u>534,315</u>	<u>28,252</u>
Expenditures:				
General Government:				
Trustees	4,920	4,920	4,920	-
Supervisor	30,500	30,500	18,500	12,000
Assessing	50,400	51,200	46,403	4,797
Clerk	28,500	28,500	28,500	-
Elections	9,000	9,000	1,377	7,623
Treasurer	25,500	25,500	25,500	-
Cemetery	4,200	4,200	3,586	614
Professional Fees	16,500	16,500	10,090	6,410
Other	141,513	140,713	76,378	64,335
	<u>311,033</u>	<u>311,033</u>	<u>215,254</u>	<u>95,779</u>
Public Safety:				
Fire Department	193,300	193,300	170,012	23,288
Stand-by Fire	11,000	11,000	7,730	3,270
	<u>204,300</u>	<u>204,300</u>	<u>177,742</u>	<u>26,558</u>
Public Works:				
Road Maintenance	30,000	30,000	14,852	15,148
Community Development:				
Planning Commission	32,000	32,000	28,875	3,125
Zoning	16,020	16,020	14,826	1,194
	<u>48,020</u>	<u>48,020</u>	<u>43,701</u>	<u>4,319</u>
Total Expenditures	<u>593,353</u>	<u>593,353</u>	<u>451,549</u>	<u>141,804</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,290)</u>	<u>(87,290)</u>	<u>82,766</u>	<u>170,056</u>
Other Financing Uses:				
Operating Transfers Out:				
Fire Equipment Fund	(32,000)	(32,000)	(35,446)	(3,446)
Special Housing Fund	(5,500)	(5,500)	(5,500)	-
Total Other Financing Uses	<u>(37,500)</u>	<u>(37,500)</u>	<u>(40,946)</u>	<u>(3,446)</u>
Net Change in Fund Balance	(124,790)	(124,790)	41,820	166,610
Fund Balance, July 1-Restated	<u>536,771</u>	<u>536,771</u>	<u>536,771</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 411,981</u>	<u>\$ 411,981</u>	<u>\$ 578,591</u>	<u>\$ 166,610</u>

**TOWNSHIP OF MANCHESTER**  
**Road Improvements and Maintenance Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Cash Basis**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Property Taxes	\$ 50,770	\$ 50,770	\$ 52,210	\$ 1,440
Intergovernmental-State	300	300	3,829	3,529
Interest	1,200	1,200	1,668	468
Total Revenues	52,270	52,270	57,707	5,437
Expenditures:				
Road Maintenance	50,000	50,000	43,343	6,657
Net Change in Fund Balance	2,270	2,270	14,364	12,094
Fund Balance, July 1	155,984	155,984	155,984	-
Fund Balance, June 30	\$ 158,254	\$ 158,254	\$ 170,348	\$ 12,094

OTHER SUPPLEMENTARY INFORMATION

**TOWNSHIP OF MANCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet - Cash Basis**  
**June 30, 2004**

	<u>Fire Equipment Fund</u>	<u>Special Housing Fund</u>	<u>Fire Equipment Millage Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash	\$ 73,484	\$ 15,473	\$ 73,931	\$ 162,888
Due from Other Funds	-	-	2,185	2,185
	<u>\$ 73,484</u>	<u>\$ 15,473</u>	<u>\$ 76,116</u>	<u>\$ 165,073</u>
<b><u>FUND BALANCE</u></b>				
Reserved for Fire Equipment	\$ 73,484	\$ -	\$ 76,116	\$ 149,600
Reserved for Fire Building Improvements	-	15,473	-	15,473
Total Fund Balance	<u>\$ 73,484</u>	<u>\$ 15,473</u>	<u>\$ 76,116</u>	<u>\$ 165,073</u>

**TOWNSHIP OF MANCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Cash Basis**  
**For the Year Ended June 30, 2004**

	<b><u>Fire Equipment Fund</u></b>	<b><u>Special Housing Fund</u></b>	<b><u>Fire Equipment Millage Fund</u></b>	<b><u>Total</u></b>
Revenues:				
Property Taxes	\$ -	\$ -	\$ 36,914	\$ 36,914
Interest	898	185	346	1,429
Miscellaneous	1,498	-	-	1,498
Total Revenues	<u>2,396</u>	<u>185</u>	<u>37,260</u>	<u>39,841</u>
Expenditures:				
Public Safety:				
Building Repairs & Maintenance	-	12,188	-	12,188
Capital Outlay	1,440	-	-	1,440
Debt Service-Principal	47,834	-	-	47,834
Debt Service-Interest	6,004	-	-	6,004
Total Expenditures	<u>55,278</u>	<u>12,188</u>	<u>-</u>	<u>67,466</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(52,882)</u>	<u>(12,003)</u>	<u>37,260</u>	<u>(27,625)</u>
Other Financing Sources (Uses):				
Operating Transfers In	63,755	5,500	-	69,255
Operating Transfers Out	-	-	(28,309)	(28,309)
Total Other Financing Sources (Uses)	<u>63,755</u>	<u>5,500</u>	<u>(28,309)</u>	<u>40,946</u>
Net Change in Fund Balance	10,873	(6,503)	8,951	13,321
Fund Balance, July 1	<u>62,611</u>	<u>21,976</u>	<u>67,165</u>	<u>151,752</u>
Fund Balance, June 30	\$ <u>73,484</u>	\$ <u>15,473</u>	\$ <u>76,116</u>	\$ <u>165,073</u>